

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03  
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05  
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R 152045Z MAR 77  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 6947  
INFO AMEMBASSY BOGOTA  
AMEMBASSY PANAMA  
AMEMBASSY BRASILIA

C O N F I D E N T I A L CARACAS 2641

EO 11652 GDS  
TAGS: PFOR EGEN EINV ELAB SHUM MNUC PBOR VE US BR  
SUBJ: PRESIDENT PEREZ' ANNUAL ADDRESS TO CONGRESS

REF: CARACAS 2565(NOTAL)

SUMMARY: PRESIDENT PEREZ' MAR 11 ADDRESS TO CONGRESS BROKE  
LITTLE NEW GROUND. DOMESTICALLY, PEREZ ASSERTED NATIONALIZED  
INDUSTRIES ARE MAKING MONEY, STRESSED GOV DETERMINATION  
TO PRESS FOR TAX REFORM AND SAID PETROVEN, RATHER THAN MINES  
MINISTRY WILL ASSUME RESPONSIBILITY FOR DEVELOPMENT OF  
ORINOCO TAR BELT. OTHER MAJOR DOMESTIC TOPICS RECEIVING  
ATTENTION INCLUDED PARTIAL REORGANIZATION OF ARMED FORCES  
BASIC LAW, AND CALL FOR AMENDMENT TO CONSTITUTION TO PERMIT  
NATURALIZED CITIZENS TO HOLD MAJOR PUBLIC OFFICES. IN FOREIGN  
AFFAIRS, PEREZ STRESSED VENEZUELA'S ROLE AS A THIRD WORLD  
LEADER, INDEPENDENT OF MAJOR POWER BLOCS, BUT ALSO PART OF  
WESTERN WORLD. HE ALSO WENT OUT OF HIS WAY TO THROW  
ROSES TO CARTER ADMINISTRATION INITIATIVES ON PANAMA,  
ARMS CONTROL, AND HUMAN RIGHTS, AND FOR PRESIDENT  
CARTER'S "CATEGORICAL" REFUTATION OF NY TIMES'  
ARTICLE ASSERTIONS. ADDRESS' TONE WAS LESS STRIDENT  
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THAN IN PREVIOUS YEARS, AND RATHER MORE REFELCTIVE.  
PEREZ USED STATISTICS AS CAMPAIGN TOOL TO SHOW UP  
INADEQUACIES OF PREVIOUS COPEI ADMINISTRATION. ON FOREIGN  
POLICY, PRAISE OF US POLICIES WAS GENUINE AND REFLECTS PEREZ'  
GREAT EXPECTATIONS TOWARD NEW ADMINISTRATION. END SUMMARY.

1. PEREZ DEALT EXTENSIVELY WITH THE ECONOMIC ACHIEVE-

MENTS OF HIS OF HIS ADMINISTRATION PROVIDING A RESUME OF EACH OF THE MAJOR INVESTMENT PROJECTS INCLUDED IN THE FIFTH NATIONAL DEVELOPMENT PLAN AND ACKNOWLEDGING THAT SOME OF THE PROGRAMS ARE NOT BEING FULFILLED. HE MADE A PARTICULARLY STRONG PITCH FOR THE PROPOSED IRON AND STEEL EXPANSION PROJECT IN ZULIA. HE ALSO CAME OUT STRONGLY IN FAVOR OF THE GOVT'S TAX REFORM PACKATE, SAYING ITS POSTPONEMENT WOULD ONLY MAKE MATTERS WORSE. FINALLY, HE ANNOUNCED A MAJOR POLICY DECISION IN STATING THAT HE HAS DECIDED TO ASSIGN THE DEVELOPMENT OF THE ORINOCO HEAVY OIL BELT TO THE STATE OIL HOLDING COMPANY PETROVEN, RATHER THAN LEAVING IT WITH THE MINISTRY OF MINES, WHICH HE SAID WOULD ONLY CREATE A PARALLEL STRUCTURE TO THAT OF PETROVEN. RESPONSIBILITY FOR THE ORINOCO BELT HAS BEEN THE SUBJECT OF CONSIDERABLE CONTENTION BETWEEN THE TWO ENTITIES, AND ITS ASSIGNMENT TO PETROVEN IS LIKELY TO IMPROVE THE CHANCES THAT ITS DEVELOPMENT WILL MOVE FORWARD. HE ALSO MAINTAINED THAT NATIONALIZED OIL AND IRON ORE INDUSTRIES ARE MAKING MONEY AND THAT NATIONALIZATION PROCESS HAS THEREFORE BEEN SUCCESSFUL.

2. ON OTHER IMPORTANT DOMESTIC MATTERS, PEREZ STRESSED GOV COMMITMENT TO MODERNAIZATION OF VENEZUELAN ARMED FORCES, CITED THE PASSAGE OF THE NEW BASIC LAW ON NATIONAL DEFENSE AND SECURITY (76 CARACAS 10717), THE GOV'S PLANS FOR A NEW MILITARY SOCIAL SECURITY SYSTEM AND THE DRAFTING AND APPROVAL OF A PARTIAL REFORM OF

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THE ORGANIC LAW OF THE ARMED FORCES (WHICH WILL PROBABLY INCLUDE GOV'S FINAL VIEWS ON ROLE AND INSTITUTIONAL COMMAND OF THE NATIONAL GUARD). ON A RELATED TOPIC, HE ALSO STRESSED INCREASED NEED TO COMBAT CRIME. FINALLY, PEREZ CALLED FOR A SPECIFIC CONSTITUTIONAL AMENDMENT WHICH WOULD PERMIT NATURALIZED VENEZUELAN TO HOLD ALL BUT THE HIGHEST PUBLIC OFFICES.

3. IN FOREIGN AFFAIRS PEREZ PAID HOMAGE TO VENEZUELA'S ATTACHMENT TO THIRD WORLD GOALS, LATIN AMERICAN INTEGRATION AND VENEZUELA'S SPECIFIC ROLE IN THE CARIBBEAN. ON OTHER FOREIGN POLICY MATTERS NOT DIRECTLY RELATED TO US-VENEZUELAN BILATERAL RELATIONS, HE RECALLED HIS WORLD TRIP IN NOVEMBER, SAYING THAT HE SPOKE FRANKLY WITH SOVIETS, THAT VISIT EMPHASIZED DEFINITIVE INTERNATIONAL INDEPENDENCE OF VENEZUELA, "FIRM IN ITS SOLIDARITY WITH WESTERN WORLD," BUT PREPARED TO DEFEND ITS POSITION IN WORLD AFFAIRS. HE ALSO SAID SMALLER POWERS HAVE

ROLE TO PLAY IN BRINGING ABOUT SUPRANATIONAL  
CONTROL OF ATOMIC ENERGY, REITERATED PREVIOUS CALL  
FOR UN TO PERFECT NORMS AND RULES FOR  
"WORLD INSEPTION OF HUMAN RIGHTS VIOLATIONS" AND  
AGAINST TERRORISM, AND DECRIED BLOC POLITICS. HE  
THEN DEVOTED ONE SECTION OF THE SPEECH TO THE  
TERRITORIAL WATERS DISPUTE WITH COLOMBIA, SAYING  
THT HE WOULD NOTPUSH THRU CONGRESS ANY AGREEMENT  
WITH COLOMBIA FAILING A NATIONAL CONSENSUS,  
EVEN THOUGH GOV HAS PARLIAMENTARY MAJORITY. HE  
PRAISED OPPOSITION PARTIES AND MEDIA FOR SERIOUS  
STUDY AND TRATMENT THEY ARE GIVING TO BORDER DISPUTE  
ISSUE, AND SIAD THAT WHEN ALL CONSULTATIONS WITH  
OPPOSITION PARTIES ARE COMPLETED HE WOULD REQUEST  
A SEPCIAL SECRET SESSION OF CONGRESS TO EXPLAIN  
THE EXECUTIVE'S POSITION TO CONGRESS.

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4. IN ADDITION TO SPECIFIC PRAISE FOR VARIOUS US PRESIDENTIAL  
INITIATIVES MENTIONED SUMMARY AND REF, PEREZ WHEN SPEAKING OF  
ARMS CONTROL, NOTED "... WE HAVE SEEN WITH PROFOUND  
SATISFACTION THE VIGOROUS ATTITUDE TAKEN BY THE US PRESIDENT,  
JIMMY CARTER..." ON THIS ISSUE.

5. COMMENT: PEREZ' SPEECH BROKE LITTLE NEW GROUND,  
AND THE FIRST PART IN PARTICULAR, WAS SO LADEN WITH  
STATISTICS THAT IT PUT THE NUNCIO AND SEVERAL  
OTHER MEMBERS OF THE DIPLOMATIC CORPS TO SLEEP. WHILE DRY, THE  
PRESIDENT USED STATISTICS AS A CAMPAIGN TOOL TO COMPARE THE  
RECORD OF HIS ADMINISTRATION TO THAT OF PRESIDENT CALDERA.  
ON DOMESTIC ISSUES, PEREZ GAVE MAJOR EMPHASIS TO SOCIAL JUSTICE,  
COMBATING CRIME, AND ECONOMIC GROWTH AND FIANCIAL MANAGEMENT.  
HE CONFIRMED PUBLICLY THAT PETROVEN WILL TAKE OVER RE-  
SPONSIBILITY FOR THE ORINCO TAR BELT. FURTHER,  
HIS ASSERTIONS THAT THENATIONALIZED OIL AND IRON ORE  
INDUSTIRES ARE MAKING MONEY AND THAT HE WILL  
STICK TOHIS GUNS IN PRESSING FOR SOME KIND  
OF TAX REFORM PASSAGE CLEARLY INDICATE THAT PEREZ BELIEVES  
THAT THE ECONOMY BASICALLY AUGURS WELL OVER THE  
NEAR TERM. CONSENSUS IS THAT PEREZ WAS OVERLY  
OPTIMISTIC BOTH ABOUT PRESENT ECONOMIC AND SOCIAL  
CONDITIONS IN VENEZUELA AND ABOUT PERFORMANCE OF  
HIS ADMINISTRATION IN THESE FIELDS, PARTICULARLY  
ADMINISTRATIVE CORRUPTION, TO WHICH HE MADE ONLY  
PASSING REFERENCE. HOWEVER, CONSIDERING VENEZUELANS  
ARE ALREADY BEGINNING TO FOCUS ON 1978 PRESIDENTIAL ELECTIONS,  
PEREZ' POSTURE WAS NOT SURPRISING.

6. ON FOREIGN AFFAIRS, PEREZ WHILE EMPHASIZING BOTH VENEZUELA'S

TIES TO THE WEST AND ITS NEW INDEPENDENT THIRD WORLD POSITION,  
TONED DOWN CONSIDERABLY HIS USUAL DIATRIBE AGAINST THE  
INDUSTRIALIZED NROTH, AND PAID UNUSALLY LAVISH PRAISE  
TO CARTER'S INITIATIVES. IN PARTICULAR, HIS STATEMENTS  
IN SUPPORT OF US ARMS CONTROL POLICY AND HUMAN RIGHTS CLEARLY  
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IRRITATED THE ARGENTINE AND BRAZILIAN AMBASSADORS PRESENT AND  
FULED LOCLA PRESS SPECULATION THAT BRAZILIAN FOREIGN  
MINISTRY MAY BE MIFFED AND IS "STUDYING" PEREZ'  
SPEECH. IN REGARD TO US-VENEZUELAN RELATIONS,  
PEREZ' PRESENTATION MADE VERY CLEAR HE EXPECTS  
GREAT THINGS FROM THE US, BOTH IN TERMS OF CIEC  
AND NORTH/SOUTH DIALOGUE, BUT ALSO IN TERMS OF  
BILATERAL RELATIOS.  
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## Message Attributes

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